

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7702

BILL NUMBER: HB 1485

DATE PREPARED: Jan 10, 1999

BILL AMENDED:

SUBJECT: Income tax credit for inventory taxes.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		(29,300,000)	(31,000,000)
State Expenditures			
Net Increase (Decrease)		(29,300,000)	(31,000,000)

Summary of Legislation: This bill provides a credit against state tax liability for property taxes paid on \$12,500 of assessed value of inventory.

Effective Date: January 1, 1999 (retroactive).

Explanation of State Expenditures: The Department of Revenue will have additional administrative expenses related to the updating the tax forms, instructions, computer programs and monitoring this tax credit. These expenses will be covered in their existing budget.

Explanation of State Revenues: This bill would allow a business inventory tax credit based on the amount of property taxes paid on inventory up to a maximum of \$12,500 in assessed value in a tax year beginning in 1999. The credit may be taken against the taxpayer's liability under the corporate gross income tax, adjusted gross income tax, supplemental net income tax, bank tax, savings and loan association tax, insurance premium tax, and the financial institution tax. If a pass through entity does not have an income tax liability, the credit may be taken by the shareholder(s) or partner(s) in relation to their distributive income in which they are entitled from the pass through entity. If the amount of the credit exceeds the taxpayer's liability, they may carry forward the excess in subsequent years or get a refund. A taxpayer is not entitled to a carryback of any unused credit.

Anticipating changes in estimated quarterly tax payments, there could potentially be a loss of **\$29.3 M** revenue for **FY 2000** and **\$31 M** in **FY 2001**.

This tax credit will reduce income tax revenue by the following amounts:

Tax Year	Max AV Allowed	Estimated Net Inventory Tax	FY Tax Impact	Rev Loss
1999	12,500	419.2 M	FY 2000	29.3 M
2000	12,500	443.4 M	FY 2001	31.0 M
2001	12,500	468.9 M	FY 2002	32.8 M

The tax credits would continue to grow in tax years 2002 and years after by approximately 7%. Tax revenue from the various taxes noted above are deposited in the General Fund and the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Revenue, State Tax Board.

Local Agencies Affected:

Information Sources: Local Government Database.